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Joint (Ad)Ventures – Family firms' entry mode choices for emerging markets

Löhde, A.S./Calabro, A./Torchia, M./Kraus, S.

Abstract

Purpose: The aim of this study is to advance knowledge on family firms' entry mode choices by examining the linkage between target market context, especially in the emerging economies of China and India, and the dominant family firm logic of keeping ownership and control in the family.

Research Design: We use an exploratory multiple case study analysis approach based on nine German family firms' internationalization endeavors. We use both primary and secondary data.

Findings: Traditionally, extant research concludes that family principals prefer foreign direct investments in order to exert maximum control when entering international markets. In contrast, our study finds a clear preference for international joint ventures (IJVs) as an initial entry mode of choice into unfamiliar markets. Our findings propose this decision to be rooted in cultural unfamiliarity and the complexity of the target markets' legal environment. The effect of these two factors is amplified by prior IJVs experiences.

Originality: This article offers several original insights. First, we identify the triggers of the paradoxical IJVs entry mode choice among family firms and thus explain the motivation for breaking with the dominant family firm logic of maximizing control. Second, we account for factors in China's and India's particular emerging market environments. In the light of family control, the unfamiliarity with these markets triggers the decision to compensate for the high level of uncertainty by engaging in an IJV partnership. Third, our study shows that family firms are indeed willing to share control if it serves the long-term survival of the firm.

Keywords

Internationalization; emerging markets, family firms; entry modes; international joint venture; partner selection, Germany, India, China

Introduction

The emerging markets of China and India have achieved tremendous economic growth in the past decades. Between 1984 – often seen as the beginning of the expansion of China’s modern economic reform path – and 2018, China’s growth in GDP has averaged from 3.9 percent as its lowest to as high as 15.1 percent, while India’s averaged from 1.1 to 9.6 percent. Entering these markets has been highly desirable for Western companies in order to stay globally competitive or to counterbalance stagnation in their home markets. This is also the case of German family firms whose interest in these markets has sparked in recent years and has now reached unprecedented levels of exports of just under US\$ 1 trillion for China, and around US\$12 billion for India in 2019. Despite impressive developments, emerging markets still impose an exceptional challenge in determining suitable entry strategies due to their unfamiliar cultures, unstable business environments, and differences in institutions (Khanna and Palepu, 2010; Procher *et al.*, 2013). Interestingly, despite their differences, China and India are often seen as equally distant and unknown to the Western cultures, offering an opportunity to draw comparisons regarding entry mode decisions for these two economies (Johnson and Tellis, 2008). Given the importance of emerging markets and the associated challenges, an investigation of internationalization strategies of family firms is of clear importance (Wright *et al.*, 2014), especially considering the role of family involvement in the internationalization process (e.g. Calabrò *et al.*, 2016; De Massis *et al.*, 2018; Sánchez-Marín *et al.*, 2020). In particular, the choice of *entry mode*, which often determines success or failure in international markets (Brouthers and Hennart, 2007), might follow entirely different patterns when viewed in the light of the specificities of emerging markets as well as the differences in family firm logics (Arregle *et al.*, 2017; Verbeke *et al.*, 2019). While there is an abundance of previous studies on the foreign market entry mode choices (e.g. Brouthers, 2002; Bruneel and De Cock, 2016; Shaver, 2013), the majority of them focused

on differentiating entry mode choices by their degree of commitment to the target market, ranging from exports to joint ventures to foreign direct investments with full control (FDI), especially in the form of greenfield investments (Slangen and Hennart, 2007). Only few studies to date have accounted for firms' heterogeneity in ownership structure or governance as antecedents of foreign market entry mode choice and only relatively recently, attention has been given to the special case of family firms (e.g. Arregle *et al.*, 2017; Boellis *et al.*, 2016; Calabrò *et al.*, 2017; Hennart *et al.*, 2019; Xu *et al.*, 2019). Furthermore, it is often assumed that family firms either seek to minimize risk by engaging in a low-involvement export mode or try to maximize control via FDI (Pukall and Calabrò, 2014). The IJV, an equity-based partnership between a foreign entrant and a local entity requires collaboration on every aspect of the internationalization endeavor – the partners share investments, profit/losses, risk as well as decision-making authority, according to their shares in the joint venture (Geringer, 1991; Welcher, 2019). When executed properly, an IJV creates complementarity and provides great benefits for the entering firm such as local market knowledge, easier market access, network relationships, and others, especially in uncertain and challenging markets (Bruneel and De Cock, 2016). Despite the strategic relevance of IJVs, literature still considers them as rather unpopular among family firms as they imply a partial loss of control (Pukall and Calabrò, 2014). In this context, the aim of this study is to advance the knowledge on family firms' entry mode choices by examining the linkage between target market context, especially in the emerging economies of China and India, and the dominant family firm logic of keeping ownership and control in the family. Moreover, we will specifically focus on IJVs. Although the research on the influence that psychic distance has on entry mode choice is largely inconclusive (Dow and Larimo, 2011), it is still widely assumed that its relevance increases with the degree of unfamiliarity with the target market (Kao *et al.*, 2013). The focus on first entries of European, in our case German, family firms into the emerging

markets of China and India therefore offers a relevant setting for an investigation of the reasons why family firms break with their dominant logic of keeping control and if there are implications for the IJV partner selection (Pongelli *et al.*, 2016).

Employing an exploratory case study analysis on nine German family firms that have entered China and India for the first time, we analyze events and decisions leading up to their entry mode choice to build grounded theory (Yin, 2011). Based on both primary and secondary data, our findings suggest that when entering the two markets for the first time, family firms deliberately choose an IJV as their main entry mode to overcome the *cultural unfamiliarity* with the target market and comply with its *legal restrictions*. *Prior IJVs experiences* additionally promote the choice of IJVs as an entry mode. To justify the loss of control, family firms in our sample elevate the role of their IJVs partner as a surrogate that – at least partially – replaces and represents the family firm influence. In our research, we were able to identify the key characteristics for their partner selection – *trustworthiness*, *risk-sharing*, and *market/network access* – and how they directly influenced the final entry mode choice.

Literature review

Family firm internationalization

In both family business and in international business research, the internationalization of family firms has developed from a peripheral phenomenon to a central research topic for business scholars investigating the role of family involvement (Calabrò *et al.*, 2017; De Massis *et al.*, 2018; Kallmünzer *et al.*, 2019; Sánchez-Marín *et al.*, 2020; Arregle *et al.*, 2019). Different theories have been borrowed from a range of fields to capture family firms' internationalization and its peculiarities (e.g. Arregle *et al.*, 2017; Kraus *et al.*, 2016; Mensching *et al.*, 2016).

Especially, neglecting contextual aspects of target markets (Arregle *et al.*, 2019; Wright *et al.*, 2014) and the role of the dominant logic of maintaining socio-emotional wealth (SEW) or, in other words the keeping ownership and control within the family has sparked the interest of scholars (Debicki *et al.*, 2017; De Massis *et al.*, 2014). And yet, the outcomes of empirical studies are still inconclusive at best, if not contradictory (Arregle *et al.*, 2017). Mostly, family firms have been shown to have weaker international performance due to strong home market ties (Arregle *et al.*, 2017; Gallo and Pont, 1996), their risk averseness (Casillas and Acedo, 2005), because they rarely have foreign market knowledge (Graves & Thomas, 2008), because they establish new network relationships only slowly and incrementally (Claver *et al.*, 2007), and their reluctance to employ external expertise and capital (Hennart *et al.*, 2017). Decades of research have mainly been investigating these and other inhibitors of family firms' internationalization (Hennart *et al.*, 2019; Santulli *et al.*, 2019; Pukall and Calabrò, 2014). Further, the lack of managerial expertise and/or dominant family control has been found to negatively correlate with international performance (Singla *et al.*, 2014, Thomas and Graves, 2005). Only few studies indicate that there are also several benefits of family firms when internationalizing (e.g. Boellis *et al.*, 2016, Marinova and Marinov, 2017). Their distinct characteristics of long-term oriented strategies triggered by transgenerational intentions and patient capital may actually serve as an incentive to undertake large or longer-term internationalization projects (De Massis *et al.*, 2018). Moreover, short decision-making paths allow for faster decisions on unexpected business opportunities in foreign markets (Calabrò and Mussolino, 2013; Kraus *et al.*, 2017). Correspondingly, family firms' internationalization activities exhibit different characteristics and follow unique paths (Calabrò *et al.*, 2016; De Massis *et al.*, 2018). Recent studies on family firm internationalization are mainly distinguishing between export activities and equity entry modes such as wholly-owned subsidiaries (WOS) or IJVs (Boellis *et al.*, 2016). So far, they found

export as the primary form of family firm internationalization (Kuo *et al.*, 2012) as limited financial resources paired with their hesitation to employ external capital restrict their equity entry mode options (Thomas and Graves, 2005). With regards to equity entry modes, family firms are found to lean towards WOS (Boellis *et al.*, 2016) as they allow the owning-family to preserve family control and influence (Arregle *et al.*, 2019; Claver *et al.*, 2008; Gómez-Mejía *et al.*, 2007). The formation of an IJV is genuinely seen as breaking with the dominant logic of family firms, who aim at keeping control and influence in the family, although economically it could be the most rational choice (Pongelli *et al.*, 2016). Nonetheless, few recent studies found evidence that an unfamiliar culture in the target market might still motivate family firms to consider an the entry mode of an IJV to overcome the perceived barriers (Kao *et al.*, 2013). Further studies shed light on the IJV formation process accounting for differences between family and non-family firms. Despite these considerable academic achievements in the field of family firm' internationalization there is a need to advance our knowledge on family firms' entry mode choices by examining the linkage between target market context, especially in the emerging economies of China and India, and the dominant family firm logic of keeping ownership and control in the family (Calabrò *et al.*, 2018; Pukall and Calabrò, 2014; Wright *et al.*, 2014).

Foreign market entry modes in international business.

Entry modes are well-researched within the field of international business (Boateng *et al.*, 2017; Shaver, 2013). In particular when discussing about entry mode choice, many studies argue about the importance of cultural distance, concluding that increasing distance reduce the likelihood of firms entering a market with a high-involvement mode (Beugelsdijk *et al.*, 2018; Brouthers, 2002; Tihanyi *et al.*, 2005). Especially first market entries into unfamiliar markets associated with uncertainty and changing environments – as in the case of emerging markets such as China

and India – cause reluctance (Beugelsdijk *et al.*, 2018) and overly careful considerations regarding market entry strategies (Adeola *et al.*, 2018; Morschett *et al.*, 2010). Explanatory studies evolving around this phenomenon are mainly focusing on knowledge deficits, the cost of accessing that knowledge, network access barriers and substantially different business cultures in those markets (Xu *et al.*, 2019; Brouthers and Hennart, 2007). These factors are frequently found to be correlated to the formation of an IJV as they reduce the unfamiliarity and uncertainty associated with such markets (Hillemann *et al.*, 2019; Makino and Neupert, 2000). IJVs have gained importance in the past decades due to the fast moving globalization and the necessity to form strategic alliances abroad to access international markets and knowledge (Devarakonda *et al.*, 2020; Pothukuchi *et al.*, 2002; Roy and Oliver, 2009). Especially the pace at which emerging economies – defined as ‘low-income, rapid-growth countries using economic liberalization as their primary engine of growth’ (Hoskisson *et al.*, 2000) - are growing, the differences in the institutional environment (Holtbrügge and Baron, 2013), and the rapidly changing market conditions (Khanna *et al.*, 2005), which often lead to high levels of uncertainty for the foreign players, contributed to the increasing popularity of IJVs as an entry mode for first market entries (Devarakonda *et al.*, 2020; Shi *et al.*, 2014). Having a local IJV partner decreases uncertainty as, on the one hand, the risk is shared, and on the other hand, information asymmetries are reduced and local behavior patterns are better understood (Beamish, 2013). In addition, recent studies stress the strategic importance of international partnerships to compete in today’s markets with fierce global competition (Inkpen *et al.*, 2019; Li *et al.*, 2008). Especially regarding learning and knowledge management as a competitive resource, IJVs have been discussed as a key source of competitive advantage (Tsang, 2002). Nevertheless, while IJVs have been found to address intractable problems in ways that confrontation or competition cannot (Roy and Oliver, 2009),

the circumstances under which family firms are willing to break with the dominant logic of keeping control in the family need further exploration (Berrone *et al.*, 2012).

Why entering India and China

In order to understand the internationalization process of German family firms into China and India, it is important to highlight why Western companies might decide to internationalize into those two countries. China and India are the two largest countries and they have both experienced decades of economic growth and prosperity. With current growth rates of 6-7% annually, despite the financial crisis and a worldwide economic slowdown, China will overtake the US as largest economy in the world in the near future (World Bank, 2016). Although India's economic progress has been slower due to several reasons, such as the democratic political system as opposed by the centrally planned economy in China, it is estimated that India will reach China in the next two decades. The economic rise of both countries requires huge investments in infrastructure to support further growth. The economic and urban districts are growing, new hubs are developing and the need for transportation of goods and people is steadily increasing.

German firms are very well respected for their quality and innovative technologies, making them a favorite partner for public infrastructure projects in China –together with Chinese manufacturing firms in form of strategic alliances or joint ventures. In India, the investments in infrastructure are at the top of the agenda of the current government and highly necessary investment programs in streets, trains, airports and harbors are expected in the near future. Due to the different political system, the processes are often lengthy and not as efficient as in China. Besides these investments in infrastructure, Chinese and Indian local companies benefit from the increasing level of employees' education and skills, which drive quality improvement as well as innovation potential. Both developments offer great opportunities for German family firms that,

in the past decades, have been struggling with low quality production and unskilled workers in China and India. Therefore, public investments on the one hand and higher human capital on the other hand represent an opportunity for Western companies (Löhde *et al.*, 2017).

International partner selection

As a logical consequence, the selection of a suitable international partner has been identified as one of the key success factors for all kinds of international activities, but especially for IJVs (Hitt *et al.*, 2000). Geringer (1991) has had a lasting impact on this discussion by defining and identifying sets of *task-related* and *partner-related* partner selection criteria for IJVs. Later studies have built on this by estimating the relative importance of different criteria (Glaister and Buckley, 1997), partner-related criteria (Robson, 2002), and or the analysis of the relationship between IJV partners and the role of trust (Acquaah, 2009; Currall and Inkpen, 2002; Ng *et al.*, 2007). Also, the cultural context (Luo, 1997) and the legal environment of the target country (Roy and Oliver, 2009) have been discussed when analyzing IJVs partnerships. Moreover, the network position of potential partners has been subject to a few recent studies (Shi *et al.*, 2014). Recent studies have also argued that to enhance the likelihood of IJVs survival and success, a primary need in the evaluation of a partner is reliable information about the potential partner's resources (Welcher, 2019). However, information about a potential partner's resources may not be publicly available thus implying the importance to collect information privately or through third parties. Moreover, IJVs imply that partners operate in different countries thus involving partner firms from different nations with diverse institutional and cultural backgrounds. This might lead to misunderstandings and miscommunication (Elia *et al.*, 2019). In the specific case of family firms, the intersection between the business and the family make the strategic decision to enter in an IJV even more complex. Indeed, family owners engage in a series of emotional

consideration thus underestimating the importance of engaging in IJVs to access external knowledge (Löhde and Calabrò, 2019). However, even if IJVs are broadly seen as unpopular among family firms for the complexities explained above (Larimo and Rumpunen, 2006) it is clear that IJVs represent an important strategic choice especially when family firms face managerial and financial constraints.

Method

Research setting

We have chosen to focus our research on the context of family-owned manufacturing firms from Germany that entered China and India. For the purpose of our study, we define a family firm as a business which is majority-owned by a family who may or may not be actively involved in the management of the firm, but which shapes and directs the vision of the business as a distinct stakeholder group (Chua *et al.*, 1999). We chose to focus on German family-owned firms, which have a long and proven history of highly successful internationalization endeavors (Venohr and Meyer, 2007) and have a reputation for being global market leaders in niche markets for decades, also labeled as “hidden champions” (Simon, 2009). Our analysis also centers on first market entries to China and India as cultural unfamiliarity with the target country is more pronounced (Kao *et al.*, 2013). China and India are of interest as fast-growing global, emerging economies (World Bank, 2016) and they are almost inevitable for companies that compete globally.

Research design

To better understand the entry mode choices of family firms, we combine Eisenhardt’s (1989) approach to multiple case study analysis with a systematic inductive approach to build grounded

theory (Gioia *et al.*, 2013). The Eisenhardt (1989) approach is “a research strategy which focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989, p. 534). This approach employs multiple levels of analysis and multiple types of data collection (data from one or more cases). This approach uses data collection methods such as archival analysis, interviews, surveys, questionnaires and observations, and incorporates either quantitative or qualitative data—or both (Eisenhardt, 1989). As normally case studies might be used to provide description, to test theory, or to generate theory, Eisenhardt approach focuses on the latter. Multiple case studies were adopted to acquire an understanding of the reasons why family firms choose a specific entry mode over others when entering China and India, as it is in these choices that the dominant logic of maintaining family control is challenged. We treat these entry mode choices as replicable experiments (Eisenhardt, 1989; Yin, 2011). To this approach we add the inductive theory building path and we conduct the first order analysis consisting of codes solely extracted from our interviews. Second order analysis is used to identify theoretical relations, followed by the identification of theoretical dimensions (Van Maanen, 1979). Existing studies do not present an unanimous opinion thus the theory building setting of this article is the most suitable approach to lay the ground for further studies (Eisenhardt and Graebner, 2007). Our exploratory research approach aims at generating insights that can be generalized beyond the study sample (Yin, 2011). We use both primary (13 interviews) and secondary data (follow-up e-mails or phone calls for clarification, company websites, brochures, and press releases as general background, as well as the DAFNE database).

Sample selection

Our final sample consists of nine cases and eleven first market entries between 1985 and 2013 (eight of which are to China, and three to India), in which the family firms chose the entry mode

of an IJV. We applied several criteria to ensure careful sample selection and comparability of the cases. Using Bureau van Dijk's Dafne database, we limited our study to the manufacturing firms with annual revenues between mln. € 100 and 1,000 to ensure internationalization aspirations. This reflects the definition of the European Commission of large companies (European Commission, 2003). Second, we only sampled firms with at least the second family generation in ownership and/or management and full (100 percent) family ownership to exclude effects caused by external shareholders (Singla *et al.*, 2014). The case selection followed Strauss and Corbin (Strauss and Corbin, 1998) in applying a theoretical sampling logic. The final case selection offers a mix of industries. Further, we chose to select cases from different stages of internationalization in order to be able to examine potential learning effects postulated by the Uppsala Theory (Johanson and Vahlne, 1977), and we also chose a time range of almost 30 years in which the market entries took place to cover the entire period in which China and India moved from closed economies to emerging markets (see Table 1). Method-wise, the final number of cases followed a theoretical sampling logic (Corbin and Strauss, 2008). Along our process of adding cases to reach saturation, we realized that despite different factors linked to internationalization process mentioned by the interviewees, very similar factors occurred after the nine cases.

'Insert Table 1 here'

Data sources

To ensure triangulation of data, we applied a multisource data collection method, using primary and secondary data sources. The primary sources were personal interviews with top management team (TMT) members who had the relevant knowledge regarding the internationalization

processes – regardless of their status as a family member. The family firms were approached by using ‘gatekeepers’ (a gatekeeper, is a pilot interview, or several pilot interviews, to optimize the research design) (Leblanc and Schwartz, 2007) or personal letters to the Chief Executive Officer (CEO). The interview guidelines were sent in advance to allow for preparation. We adopted a semi-structured interview strategy with open ended questions, built from pilot cases selected by convenience and access (Creswell and Clark, 2007). Per firm, either one or two interview partners were determined by the firm based on the involvement in or knowledge of the topic, for a total of 13 interviews. Starting in a narrative style by asking the interviewees to describe the family firm, we established a trusting atmosphere. Subsequently, we focused solely on the first market entries to China and India. The interview covered different topics: country of involvement, decision to enter a specific market, entry mode strategy, motivation to enter a specific market, motivation on the specific country chosen and selection partners decision making. The interviews were conducted in German with an average length of 60 minutes, although some took considerably longer. All interviews were recorded and, subsequently, transcribed. As secondary sources we used follow-up e-mails or phone calls for clarification, company websites, brochures, and press releases as general background, as well as databases (e.g. DAFNE) for specific data needs. In doing so, we gathered contextual information about the company’s history, financial data, family background, and the industry to provide us with a holistic picture of the cases and ensure comparability (Yin, 2011).

Data analysis

For our analysis, we applied the Eisenhardt two-steps approach (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). The first step consisted of extensive case descriptions in form of timelines and

narratives using primary and secondary data (Akhter *et al.*, 2016). These narratives (see Tables 2 and 3) clearly indicate that all sample firms were market-seeking in their first entry to the Chinese and/or Indian markets, thus aiming for local expansion in the new market (Dunning and Lundan, 2008; Dykes and Kolev, 2018). This uniform objective provided additional consistency for the analysis of IJVs as an entry mode. Early on, these narratives already revealed the major motivations for entering China or India for these family firms, and the reasons for their choice of IJVs as the preferred entry mode. These early discoveries shaped the consecutive steps of the analysis, for which we created an overview (see Table 2 and Table 3) summarizing all relevant information.

‘Insert Table 2 and 3 here’

In the second step we used the Gioia technique (Gioia *et al.*, 2013) that consisted of data coding focusing on the entry mode choice of an IJV and why it was chosen, as well as the choice of the IJV partner as the most critical point. Specifically, the information gathered through the interviews was furthermore coded with the support of the MaxQDA12 software to make replication by external researchers possible (Gioia *et al.*, 2013). Based on these 1st order codes, we looked for patterns and thus conducted the 2nd order analysis (Van Maanen, 1979). At last, we identified dimensions related to theory, in particular two key findings for the foreign market entry mode decision process, *IJVs Entry Mode Antecedents* and *Desired Partner Characteristics* (see Figure 1 and 2).

‘Insert Figure 1 and 2 here’

For the final cross-case analysis, we focused on finding patterns and relationships between the cases. To ensure research quality, we followed Yin’s (2011) criteria of construct validity via

triangulation of data sources, external validity through within-case and cross-case analysis (Eisenhardt, 1989), and reliability by carefully documenting all processes described above. We can ensure internal validity only within reasons as this case study is exploratory (Yin, 2011).

Findings and discussion

The aim of this study was to understand German family firms' first entry mode choices for the challenging emerging markets of China and India. We focused our efforts on investigating the role of dominant family firm logic of maintaining ownership and control in the family and the – in this context – paradoxical entry mode choice of an IJV (Pukall and Calabrò, 2014). Our multiple case study analysis revealed that IJVs are the preferred market entry mode for China and India. First, our research explores the *IJVs Entry Mode Antecedents*, identifying *cultural unfamiliarity*, *legal restrictions*, and *prior IJVs experience* as determinants of the IJVs choices of German family firms entering China or India. Subsequently, after establishing why family firms broke with the dominant logic and chose an IJV as their entry mode, we explored the *Desired Partner Characteristics* our sample firms looked for in potential partners, which emerged as *trustworthiness*, *risk-sharing*, and *market/network access*, and we also explored their rank in priority. We further classified the selected IJVs partners based on their prior relationship with the family firm in three categories – *long-term friends*, *business associates*, and *strangers* – and found direct relationships between the partner characteristics and these categories (Li *et al.*, 2008). All these findings are part of the IJVs entry mode choice process of the sample cases prior to their market entry to China and/or India and are subsequently summarized in a set of propositions and a comprehensive conceptual model.

IJVs' entry mode antecedents

The culture of the target market significantly influences the entry mode choices of firms (Brouthers, 2002, Tihanyi *et al.*, 2005). Eight out of nine sampled family firms in our study indicate the central role of *cultural unfamiliarity* in their entry mode decision. The ‘*cultural challenges*’ (Chief Law Officer, Case G) are among the key drivers for choosing an IJV over a WOS (Kao *et al.*, 2013). Looking for clearer insight, we looked to Hofstede’s (1984) scores for different dimensions of culture, although they did not capture the somewhat nuanced narratives from the cases (Beugelsdijk *et al.*, 2017). We did find some evidence for the relatively high level of *Power Distance* in the emerging target markets, a tendency towards *Collectivism* and a lower level of *Uncertainty Avoidance* as compared to Germany (Hofstede, 1984). However, these measures are abstract concepts for societal behavior patterns and often fail to capture the essence of the challenges the sample companies faced when attempting to enter the markets of China and India. Language barriers (Brannen *et al.*, 2014) and foreign business practices in China and India were at the root of the strong perception of *cultural unfamiliarity* among the family firms in our study. The language barrier was more pronounced in the case of China, with the Chinese language having no similarities to Western languages. ‘*Language plays a huge role in China. You should – everyone should learn some Chinese, I think.*’ (former CEO, Case B). In India, English functions as an official language, but only a minority is able to speak it as local languages are the preferred communication mode. ‘*In India it’s indeed a fact that obviously the English language is the connecting factor at first, but what they speak locally is mostly their language, which we cannot – we can’t learn Hindu.*’ (former CEO, Case B). Understanding a foreign culture and how it influences business practices is a key component of success (Makino and Neupert, 2000), but also often difficult to replicate due to communication barriers (Brannen *et al.*, 2014). ‘*If somebody wants to say no, they cannot; or never do, at least. You have to (...) explain in great*

detail why you do not want something in terms of what better alternatives you might have.' (CPO, Case I). Especially the role of social activities during business negotiations, and the high level of power distance in both China and India often lead to alienation (Dash and Ranjan, 2018, Hofstede, 1984). Business deals are frequently closed due to the existence of personal relationships, or as a result of personal favors or network membership (Gold and Guthrie, 2002). Negotiations have to take place between equals in terms of power and ownership in the company as well as their standing in society (Dinh and Calabrò, 2019; Pant and Rajadhyaksha, 1996). This poses an opportunity and a threat to family firms at the same time. On the one hand, the presence of a family member during negotiations is indispensable for successfully conducting business. On the other hand, it would require a family member to frequently travel or eventually move to the target market to ensure the local business' success. These cultural problems often originate from the organizational cultures and not necessarily from the national culture (Chakrabarty, 2009; Hutzschenreuter *et al.*, 2011). The firms in our sample did not feel capable of anticipating these culturally-determined behavioral patterns, and they found effective communication of their interests challenging (Brouthers, 2002). Moreover, as a result, they feared to be taken advantage of by their foreign business partners. Cultural differences between Germany and the target markets evoked the feeling of uncertainty, distrust, isolation, and helplessness in those markets. These functioned as triggers for the need to identify a local partner to guide the family firm through these uncharted waters. In order to be able to cope with these facets of *unfamiliar culture*, our sample firms preferred a local partner to overcome the barriers of language and culture and to solve the conflict of family members being present at business negotiations. CEO of company 3 clearly says: *we needed a local partner to be closer to the market and obviously respond to the local demands because there are specific local demands*. Thus, we formulate the following Proposition 1:

Proposition 1. Cultural unfamiliarity, manifested through language barriers, and unfamiliar business practices, triggers family firm principals to break with their dominant logic and choose an IJV for entering challenging emerging markets.

Next, we identify *legal restrictions* as playing a key role in choosing an IJV for the emerging markets of China and India. Compliance with local regulatory institutions is critical ‘to obtain local legitimacy embedded in both regulatory and normative institutions’ (Ang *et al.*, 2015: 1549). For China, firms in our sample cited the legal requirement to form IJVs with local firms in certain business sectors or for technology or projects of a certain nature. Ever since China’s economy opened to the West first, it had been a long-standing practice to enter China with an IJV with a Chinese state-owned company (Shenkar, 1990). ‘*You could not start a 100 percent subsidiary anyway at that time in the middle of the eighties*’, as the CEO of Case C puts it. However, with increasing industrial development in China, these regulations have been relaxed over the past two decades and now mainly applies to large public sector projects only, as Case B experienced recently: ‘*They said only a joint venture [with a Chinese partner] can supply for the [public] high-speed trains in China*’ (former CEO). Thus, only IJVs with state-owned or local firms are allowed to participate in public projects. These obligations, however, only enforced the IJVs formation in three cases B, C, and G. For India, we identified the pattern of so-called recommendations. There are no nation-wide regulations similar to those in China, however state and local authorities enjoy the power of ‘*strongly suggesting*’ (Chief Law Officer, Case G) the formation of an IJV. The sample firms reported being aware of these circumstances in advance through their network and contacts, and none of them reported to have experienced such “suggestions” directly. In four cases (Case B, C in China and G in both India and China), the *legal environment* – consisting of legal requirements and recommendations – clearly determined the entry mode choice of IJVs. Surprisingly, however, most IJVs in our sample were formed at a

time when there were no general legal requirements in place. In these cases, the dominant logic of keeping control in the family firm was prioritized below the need to enter the markets of China and India, which was considered vital for the long-term survival of the firm (Gómez-Mejía *et al.*, 2007). All cases were market seekers and the legal obligation to concede partial control did not inhibit their interest in entering the market, leading us to Proposition 2:

Proposition 2. The complexity of the legal environment of China and India triggers family firm principals to prefer an IJV for their first market entry.

Moreover, we found that *prior IJVs experience* – both positive and negative - as having an increasing role in the entry mode decision for an IJV (Beamish, 2013). Even though the majority of IJVs experiences were made outside the target market, the cases associated the benefits of an IJV in the other markets also with China or India – hence we found an interdependency to other entry mode decisions (Shaver, 2013). Also, we identified a learning effect in family firms regarding the entry mode choice. This is in line with family ownership being associated with faster decision-making and a more efficient integration of prior experiences (Pukall and Calabrò, 2014), as they are quicker applied to new contexts and also more prevalent as the owning family shares their knowledge through generations (Zahra and George, 2002). On the one hand, we have Case D and E for which negative *prior IJVs experience* – for Case D even in the same target market – triggered the decision to choose an IJV again. In fact, the interviews revealed the following: ‘*We tried already previously [(1993)] with a joint venture, but that did not work out.*’ (CEO, Case D). These experiences were seen as vital learnings and revealed clear benefits of the entry mode. Only 20 years later, Case D attempted a second, then successful entry to China with an IJV. On the other hand, prior positive experience with IJVs was a central antecedent of Case C and G in to India. Interestingly, these family firms already used the entry mode of an IJV to enter

China before. They transformed their positive experience into knowledge and applied that knowledge to the new context as the challenges of these markets were perceived to be similar (Pothukuchi *et al.*, 2002). Hence, *prior IJVs experience* in previous internationalization endeavors to enter either the same or other foreign markets positively influences the formation of an IJV by intensifying the two antecedents of *unfamiliar culture* and *legal restrictions*. Prior experience with IJVs created a knowledge base about this entry mode in the company (Argote and Miron-Spektor, 2011). This familiarity with the benefits and challenges of an IJV increased the willingness to choose this entry mode again (Kuo *et al.*, 2012). However, it cannot be seen as a main and independent antecedent. The coding process clearly shows only a supporting role of prior experiences, a confirmation of the likely choice based on other criteria. Hence, *prior IJVs experience* is moderating the relationship between the *IJVs Entry Mode Antecedents* and the entry mode choice, as captured in Proposition 3:

Proposition 3. The impact of cultural unfamiliarity and the complexity of the legal environment on family firms' entry mode choice of an IJV is amplified by prior positive (and negative) IJVs experiences.

Desired partner characteristics

The entry mode of an IJV is not only determined by the antecedents identified above. As this form of market entry requires a local partner, considerations regarding that partner already take place before the final entry mode decision (Wong and Ellis, 2002), possibly influencing it. The IJVs partner is the central element of this entry mode and often decisive for success or failure of the overall internationalization process (Geringer, 1991, Roy and Oliver, 2009). From the case analysis, we extracted three categories of potential partners based on their prior relationship with the family firm: *long-term friends*, *business associates*, and *strangers* (Li *et al.*, 2008). *Long-term friends* are considered partners that have been known to the family firm over an extended period

of time, mostly to the controlling family through business or personal ties. The key characteristic of a *long-term friends* is the close personal relationship between the representatives of the two companies prior to the establishment of the IJVs (Wong and Ellis, 2002). Family firms are prone to have these close long-term relationships over extended periods of time due to the average CEO tenure of several decades and the transgenerational orientation (Frank *et al.*, 2017). These *long-term friends* are highly appreciated as partners for new initiatives in family firm as there is asymmetric information between the partners (Hitt *et al.*, 2000), or as put by the CPO of Case I: *'We only wanted a relationship like a friendship. It had to be fair, fair in doing business, but also fair in the ownership structure, (...) we needed someone we already [knew] and trusted.'* Either, the relationship with that partner is not solely based on businesses, but a personal relationship with the controlling family or a high level employee and the business partner was established, or there have only been personal ties between the owning family and the partner prior to the IJVs. *Business associates* describes the group of potential partners that are no strangers to the family firm, but have not had any close ties with the controlling family or high level managers. Thus, the family firm principal knows the partner firm through prior business transactions or his network, enough to not consider them strangers (Li *et al.*, 2008). They have basic knowledge about the company, engage in similar activities or, at least, similar activities in related markets, and are not competitors - a basis on which a partnership can be built on and in which resources can be shared (Nakos *et al.*, 2014). *'In India it started with our export manager who had the first contacts to India and then he started to develop this relationship.'* (CEO, Case C). The third category of potential IJV's partners is *strangers*, defined as firms the family firms did not have any prior personal or professional contact with. *Strangers* are pro-actively identified on the basis of pre-defined criteria, such as their customer network, market access or skill-set. These criteria depend on the strategic aim of the internationalization. In Case B and F the family firm chose a local

competitor in the target market. *‘[We bought all the Chinese competitors’ products], analyzed them in our product clinic, and then (...) it was not the one who tried to build the exact same (...) but thought about it.’* (CEO, Case F). The rationale is to best leverage the partner’s existing resources, such as market knowledge and network access in order to reduce the start-up costs and to overcome the liability of foreignness. Frequently, however, the resulting monitoring cost of the partner due to the competitive nature might outweigh the initial benefits (Nakos *et al.*, 2014).

In line with research on international partnerships, the family firm principals in our study had specific expectations from their international partner, which we labelled *Desired Partner Characteristics* (Geringer, 1991, Hitt *et al.*, 2000). These characteristics are not mutually exclusive, but differently prioritized. In the following, we refer to the *Desired Partner Characteristic* as the characteristic of the IJVs partner that had the highest priority for the family firm principal, was thus the decisive characteristic. At first, we identified the *Desired Partner Characteristic* dimension of *trustworthiness* as a key characteristic for several of our sample cases. We find, on the one hand, the importance of aligned goals, and on the other hand, the assurance that knowledge exchange without betrayal is possible with the IJVs partner as patterns of *trustworthiness* (Currall and Inkpen, 2002, Li, 2005). Many family firms in this study expressed their reservations towards the markets of China and India, the culture, and the business practices, and thus longed for a partner who they already knew well and had significant information about (Boersma *et al.*, 2003). The Chinese and Indian cultures – heavily relying on personal networks and relationships – often alienate German family firms (Pant and Rajadhyaksha, 1996). However, a partner who is trustworthy, counterbalances this fear of the unknown and allows the family firm to distribute the responsibilities for local operations to the IJVs partner without fearing a loss of control (Fink and Kraus, 2007; Li *et al.*, 2008). *‘They were our local partner and that local partner supplied the local people, buildings, real estate, and*

whatever we needed to start (...) the company, and we supplied the know-how.’ (CEO, Case C). To connect the *Desired Partner Characteristics* with partner categories, we found that firms for which *trustworthiness* is key rely on the potential partner category of *long-term friends* for their IJVs partners (Case C, E, and I for their IJVs in China). The CPO of Case I described their choice the following way: *‘We have known each other for a very long time, since the 1990s to be precise. So when we then years later decided to go to China, there was no alternative to doing it with him, our friend who we trust.’* Also, Case E had an extensive long-term relationship with the foreign firm prior to forming the IJV: *‘We’ve known each other for 20 years, we have 20 years of business connections, we really trust each other.’* (CEO). In contrast to the dominant view that family firms would not be willing to deviate with the logic of maintaining control, they are willing to share control over local activities in the target market if they consider the contribution of the partner to be indispensable for the success of the internationalization. Hence, family firms following this behavior pattern compensate the loss of control with trust in their IJVs partner (Fink and Kraus, 2007), and they look for that partner only among already existing long-term relationships (Boersma *et al.*, 2003). Proposition 4 captures this:

Proposition 4. Family firm principals mainly prioritizing trustworthiness in their IJVs partner, choose this partner among their long-term friends.

The second *Desired Partner Characteristic* is *risk-sharing*. The two patterns within this dimension are unknown territory and the local set-up of the international presence. Unknown local market behaviors are leading to an increased risk perception among the family firms regarding the international move (Kao *et al.*, 2013). This difficulty of accessing local knowledge and the risk of failing to establish a local customer base were highly prevalent (Inkpen and Beamish, 1997). As the aim behind the IJVs formation stems from ensuring the long-term

survival of the firm (Berrone *et al.*, 2012), several of our sample cases reported that they were searching for a partner to share the associated risk with. As the CEO of Case A pointed out: *'We did not want to do it without a partner, because we do not believe we know how to run a business in India. (...) We wanted to do this with a Joint Venture, (...) an equal Joint Venture to share this risk [of failure]'*. Interestingly, all three Indian IJVs cases (Case A, C, G), but only one in China (Case D), stressed the importance of *risk-sharing*, which can most likely be explained by the unstable political environment and bureaucratic challenges in India. The only case that named *risk-sharing* as a *Desired Partner Characteristic* for their Chinese partner is Case C, who set up their IJV there already in 1985. Hence, whether the country was stable, economically as well as politically, was yet unknown.

Moreover, the dimension *risk-sharing* evolves around the partner's knowledge of and integration in the target market to manage local operations and reduce the risk of failure for the family firm (Hitt *et al.*, 2000). The partner search in these cases focused on firms in the target market that already were somehow connected to the family firm via business relations or part of the same networks. These sample firms looked for their partners among *business associates* who had good market knowledge. This way, they ensured that they knew their partner prior to the entry decision and had solid information on their ability to share the risk of the entering the market. Further, through prior business connections, they could obtain information on the firm's behavior in past business deals and their positioning in the local market – validated by impartial third parties. This functions as a validation for their ability to carry the risk of the IJVs. Proposition 5 captures this finding below:

Proposition 5. Family firm principals mainly desiring to share the risk of entering unknown territory and establishing local structures, choose their IJV's partner among business associates capable of taking that risk.

Finally, the most dominant *Desired Partner Characteristic* appears to be *market/network access* (Case A for India, F, G, H, I for China). It describes the necessary access foreign firms need to relevant networks to establish themselves in markets like China and India (Hitt *et al.*, 2000, Luo, 1997). Personal contacts and network memberships are key success factor and their lack often is an important reason for failure (Gold and Guthrie, 2002). Especially for German family firms that struggle to adapt to this practice, an IJV partner that offers access to these networks and to customer relations is highly valuable and mostly inevitable. *'The learning of specifics, the local specifics; if you choose a partner, who is familiar with everything that is strange to you, then you've already won.'*, as the Chief Law Officer of Case G puts it. Moreover, *'the biggest challenge in China is to gain access to the customers. And, we solved that through our IJV partner.'* (CEO, Case H). This third group of cases, longing for *market/network access*, carefully selected their partners based on pre-defined criteria from the pool of *strangers* (Hitt *et al.*, 2000). In three cases, the alliances were formed with previously competing firms in the local market. The perceived benefits of such partnerships are controversial, but in the sampled cases (Nakos *et al.*, 2014), succeeded due to the mutually beneficial terms of the IJVs. Again, these findings clearly indicate a loss of control, even to an unknown partner, is acceptable for family firms, when the long-term survival of the firm is secured (Pongelli *et al.*, 2016), as summarized in Proposition 6:

Proposition 6. Family firm principals mainly motivated to leverage their IJV partner for market/network access choose them among strangers (based on pre-defined criteria).

A conceptual model for IJVs formations of family firms

In the following, we will integrate the previous findings condensed into six main propositions, into a conceptual model that explains how family firms are willing to break with their dominant logic of maintaining control and influence over their international activities as well as the implications for the IJVs formation process or, more precisely, the characteristics of the IJVs partner selection (see Figure 3). The exploratory approach of the study allows us to identify the antecedents of the IJVs choice as well as exploring different aspects of the choice and its implications for the formation (Gligor *et al.*, 2016). The model introduces the antecedents of choosing the IJVs as the preferred entry mode. These *IJVs Entry Mode Antecedents* are expanded by the *Desired Partner Characteristics* and the corresponding partner categories. These partner considerations take place before the final entry mode decision is taken, and are part of the IJVs choice process. This makes the partner choice an integral part of the IJVs entry mode.

'Insert Figure 3 here'

Only few prior studies have aimed at understanding family firms' entry mode choices (e.g. Boellis *et al.*, 2016; Pongelli *et al.*, 2016). Especially, the entry mode of an IJV has vastly been neglected as it counteracts the family's dominant logic of keeping control (Berrone *et al.*, 2012). Our study offers new and interesting insights showing that in the context of the emerging markets of China and India, an IJV is the preferred entry mode, in contrast to the results of prior studies and building on the notion of investigating the role of dominant family firm logics in the internationalization context (Arregle *et al.*, 2017; Reuber, 2016).

We find *cultural unfamiliarity* (manifested through language barriers and unknown business practices) as a key driver for the formation of an IJV as stated in Proposition 1 (Inkpen

and Beamish, 1997; Makino and Neupert, 2000). Additionally, *legal requirements* trigger the entry mode choice of an IJV (Proposition 2). *Prior positive or negative IJVs experience* augments the impact of the *IJVs Entry Mode Antecedents* and the entry mode choice as a moderator due to the firm's ability of learning and creating knowledge from experience Argote and Miron-Spektor, 2011, Zahra, 2012. The *Desired Partner Characteristics* are specifically concerned with the central goal of the partnership pursued by the family firms (Hitt *et al.*, 2000). Previous research so far has neglected the conceptualization of the IJVs partner selection of family firms (Arregle *et al.*, 2017), but several studies have shed light on partner relationships in R&D alliances and MNC partnerships, which we build our categorization on (e.g. Li *et al.*, 2008). The goal of forming the IJVs – whether it is concerned with the *trustworthiness* of the partner, *risk-sharing* or gaining *market/network access* – directly influences the partner selection as our model suggests. The potential pool of partners – *long-term friends*, *business associate*, and *strangers* – is directly determined by these Desired Partner Characteristics. Proposition 4 evolves around the *trustworthiness*, which family firms view as an acceptable trade-off for the loss of control anticipated with the IJVs as an entry mode (Gómez-Mejía *et al.*, 2007). They choose a partner who they already have a trustful relationship with – a *long-term friend* –, thereby rationalizing that they are not giving away control to outsiders (Fink and Kraus, 2007; Pongelli *et al.*, 2016). Family firms that aim at sharing the risk of entering unknown territory and setting up local structures (Tsang, 2002), choose their partner among *business associates*, who they do not have close ties, but some experience with (Proposition 5). At last, family firms that are looking for access to markets and networks through a local partner, choose their IJVs partner from the pool of *strangers*, based on pre-defined criteria (Inkpen and Beamish, 1997), such as existing customer network, often a competitor (Hennart and Slangen, 2015).

Conclusion

In our study, we focused our efforts on understanding the entry mode choices of German family firms entering the emerging markets of China and India – the two largest and fastest growing economies in the world. We directed our efforts at the, for family firms seemingly paradoxical, choice of an IJV as first entry mode that contradicts the dominant logic of keeping ownership and control in the family (Pukall and Calabrò, 2014). Further, we paid special attention to the role of the IJV's partner selection as the partner is at the core of joint venture success (Shi *et al.*, 2014). The findings suggest that family firm principals are indeed willing to break with the widely established dominant logic of maintaining full control, if they feel that the specific context of the target market requires it and if they find a suitable partner who shares their goals. The strategic importance of being present in the analyzed emerging markets of China and India for the long-term survival of the family firm has a higher priority than keeping full control and influence. We make several important contributions to the literature on family firm's internationalization and entry mode choices.

Contributions to theory

Our approach aimed to disentangle the complexities dominant family firm logics precipitate in the internationalization process, which the existing theories do not account for (De Massis *et al.*, 2018; Reuber, 2016). In our qualitative and exploratory study, we evaluate the entry mode choice as a holistic process, refraining from an analysis of isolated aspects of family firm's internationalization and contribute to theory building in the field by overcoming the limits of 'borrowed theories and quantitative empiricism' (Doz, 2011: 583).

This article makes several contributions to the literature on family firm internationalization and specifically on the choice of entry mode. At first, we identify the triggers of the paradoxical IJVs entry mode choice among family firms and thus explain the motivation for breaking with the dominant family firm logic of maximizing control (Arregle *et al.*, 2017; Pukall and Calabrò, 2014). Second, we account for factors in China's and India's particular emerging market environments. In the light of family control, the unfamiliarity with these markets triggers the decision to compensate for the high level of uncertainty by taking in an IJV partner (Kao *et al.*, 2013). Third, our study also identifies evidence that family firms are indeed willing to share control if it serves the long-term survival of the firm (Berrone *et al.*, 2012; Pongelli *et al.*, 2016). Finally, our findings shed light on how family firms prioritize partner characteristics in IJVs (Geringer, 1991), often putting more emphasis on who the partner is as opposed to what it has to offer (Currall and Inkpen, 2002; Wong and Ellis, 2002).

Managerial implications

The findings of our exploratory study also have several implications for practitioners. First, the benefits of IJVs to enter foreign markets are clearly laid out, especially to family firms. The antecedents of this entry mode choice and the partnership vary among the family firms. An IJV is not necessarily detrimental to the logic of family firms, but it can actually support it as it guarantees long term viability via successful entry into unfamiliar markets. Hence, we suggest family owners and manager not to overlook this entry mode as, it gives an opportunity to gain external knowledge and attract new and useful resources. Second, the results raise awareness on the importance of the partner selection when choosing an IJV as market entry mode and on the influences that choice have. Although, we find clear choice patterns, the interviewees reported it

to be coincidental. Our findings help managerial practice to conceptualize their partner preferences based on the antecedents to form an IJV.

Limitations and future research directions

The study at hand is using an exploratory approach to gain a holistic view of the antecedents of IJVs as an entry mode for China or India. Our approach should be applied to different contexts to validate our findings. Although our sample includes a mix of companies that vary by industry, age, and generation of family firms, our results are not generalizable. Thus, our derived propositions will have to be tested in rigorous quantitative studies. Moreover, we did not control for each IJV's particular governance structure, which may influence the results. Furthermore, our research may be biased by the fact that our primary source for the interviews exclusively consisted of TMT members in the foreign family firm, and therefore excluded the local IJVs partner perspective. Naturally, as in most qualitative and exploratory studies, our findings are limited by sample size and sample selection.

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Table 1. Overview of the Cases.

Case	Industry	Founding Year	Turnover Range 2015 (in Mio)	Employees Range	Ownership Structure	Generation	Interview Partner(s)	First Entry China	First Entry India
A	Iron Sheet	1889	< €150	500-1,000	Family-owned (100%)	5 th	<ul style="list-style-type: none"> • CEO, family • Board Director, non-family 	-	IJV (2013)
B	Traffic Engineering	1946	€151 - €500	> 1,000	Family-owned (100%)	2 nd	<ul style="list-style-type: none"> • Former CEO, family • Business Development Manager, non-family 	IJV (2002)	Greenfield attempt (2013)
C	Machine Building	1921	€151 - €500	> 1,000	Family-owned (100%)	5 th	<ul style="list-style-type: none"> • CEO, non-family • CFO, non-family 	IJV (1985)	IJV (2013)
D	Manufacturing	1889	€151 - €500	> 1,000	Family-owned (100%)	3 rd /4 th	<ul style="list-style-type: none"> • CEO, family • Board Director, non-family 	IJV (1993) failed; 2 nd JV (2005)	-
E	System Industry	1925	€151 - €500	> 1,000	Family-owned (100%)	3 rd /4 th	<ul style="list-style-type: none"> • Both CEOs, family 	IJV (2004)	-
F	Metal Processing	1898	> €1,000	> 1,000	Family-owned (100%)	4 th	<ul style="list-style-type: none"> • CEO, non-family 	IJV (1995)	-
G	Engineering	1956	€500-€1,000	> 1,000	Family-owned (100%)	1 st /2 nd	<ul style="list-style-type: none"> • Chief Law Officer, family 	IJV (1985)	IJV (1997)
H	Manufacturing	1919	< €150	100-500	Family-owned (100%)	3 rd /4 th	<ul style="list-style-type: none"> • CEO; family 	IJV (1990)	-
I	Manufacturing	1972	< €150	100-500	Family-owned (100%)	1 st /2 nd	<ul style="list-style-type: none"> • CPO; non-family 	IJV (2012)	-

Table 2. The Internationalization of German Family Firms to China.

Case	Prior Activities	Reason for First Entry	First Entry Year	Foreign Entry Mode	Governance*	Reasons for Entry Mode****	Partner Category
B	<ul style="list-style-type: none"> • Sales Representative • Greenfield 	<ul style="list-style-type: none"> • Customer opportunities 	2002	IJV	50%:50%	<ul style="list-style-type: none"> • Language barrier • Legal requirements • Customer network 	Stranger/Competitor
C	<ul style="list-style-type: none"> • Sales Representative 	<ul style="list-style-type: none"> • Growth opportunities • Strategic market presence 	1985	IJV	50%:50%	<ul style="list-style-type: none"> • Language barrier • Legal requirements • Unfamiliar culture 	Long-term Friends
D	<ul style="list-style-type: none"> • Sales Representative • IJV (failed) 	<ul style="list-style-type: none"> • Customer opportunities • Strategic market presence 	1993*** 2006	IJV	49%:51%	<ul style="list-style-type: none"> • Unfamiliar culture • IJV experience 	Business Associate
E	<ul style="list-style-type: none"> • Sourcing 	<ul style="list-style-type: none"> • Market attractiveness for growth 	2004	IJV	60%:40%	<ul style="list-style-type: none"> • Culture unknown • Business practices 	Long-term Friends
F	<ul style="list-style-type: none"> • Sales Representative 	<ul style="list-style-type: none"> • Market attractiveness 	1995	IJV	80%:20%	<ul style="list-style-type: none"> • Partner who knows the market and the customer 	Stranger/Competitor
G	<ul style="list-style-type: none"> • Sales Representative 	<ul style="list-style-type: none"> • Customer opportunities • Market attractiveness 	1985	IJV	50%:50%	<ul style="list-style-type: none"> • Legal requirement • Local cultures and languages • Market access 	Stranger
H	<ul style="list-style-type: none"> • Sales Representative 	<ul style="list-style-type: none"> • International growth opportunities 	1990	IJV	25%:67%: 8%**	<ul style="list-style-type: none"> • Culture unknown • Language and • System/network unfamiliar 	Stranger
I	<ul style="list-style-type: none"> • Sales Representative 	<ul style="list-style-type: none"> • Customer opportunities • Market attractiveness 	2012	IJV	85%:15%	<ul style="list-style-type: none"> • Unfamiliar culture and people • Network access 	Long-term Friends

Table 3. The Internationalization of German Family Firms to India.

Case	Prior Activities	Reason for First Entry	First Entry Year	Foreign Entry Mode	Governance*	Reasons for Entry Mode****	Partner Category
A	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Growth opportunities • Strategic market presence for growth 	2013	IJV	50%:50%	<ul style="list-style-type: none"> • Culture unknown • Prior IJV experience (China) • Market access 	Stranger
B	<ul style="list-style-type: none"> • Greenfield Attempt 	<ul style="list-style-type: none"> • Market attractiveness and size 	2014	IJV	Being negotiated	<ul style="list-style-type: none"> • Culture unknown • Customer network access 	-
C	<ul style="list-style-type: none"> • Sales Representative 	<ul style="list-style-type: none"> • Market size • Market attractiveness 	2013	IJV	50%:50%	<ul style="list-style-type: none"> • Culture unknown • Prior IJV experience China • Risk-sharing 	Business Associate
G	<ul style="list-style-type: none"> • Strategic alliance 	<ul style="list-style-type: none"> • Market attractiveness • Customer opportunities 	2014	IJV	66%:34%	<ul style="list-style-type: none"> • Local cultures and languages/risk sharing 	Business Associate

* Shares owned by the German family firm to shares owned by the local partner.

** Shares owned by the management of the IJV.

*** First entry through IJV, but failed.

**** As mentioned by the interviewee.

Figure 1. Data Structure for the Entry Mode Decision.

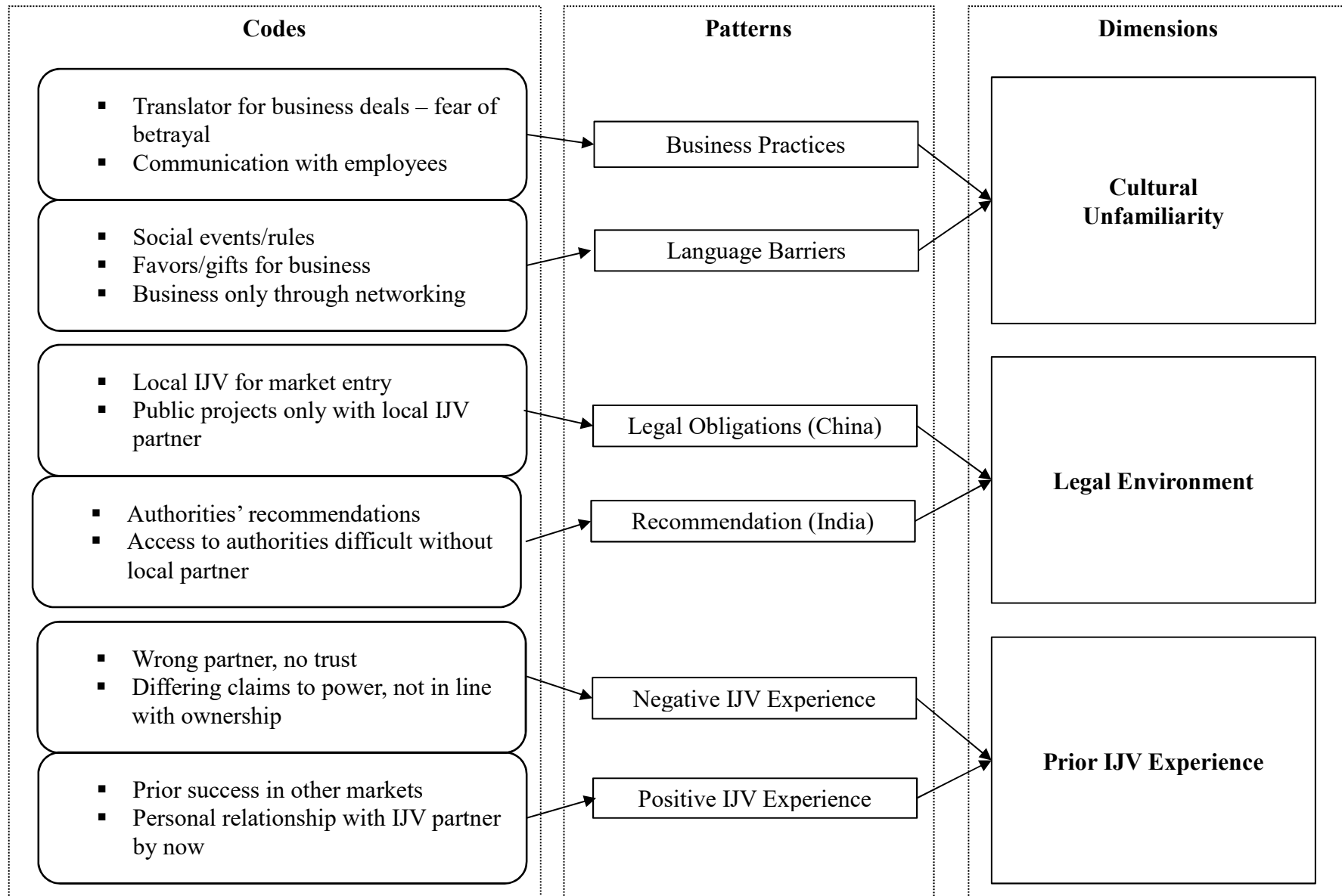


Figure 2. Data Structure for the Desired Partner Characteristics.

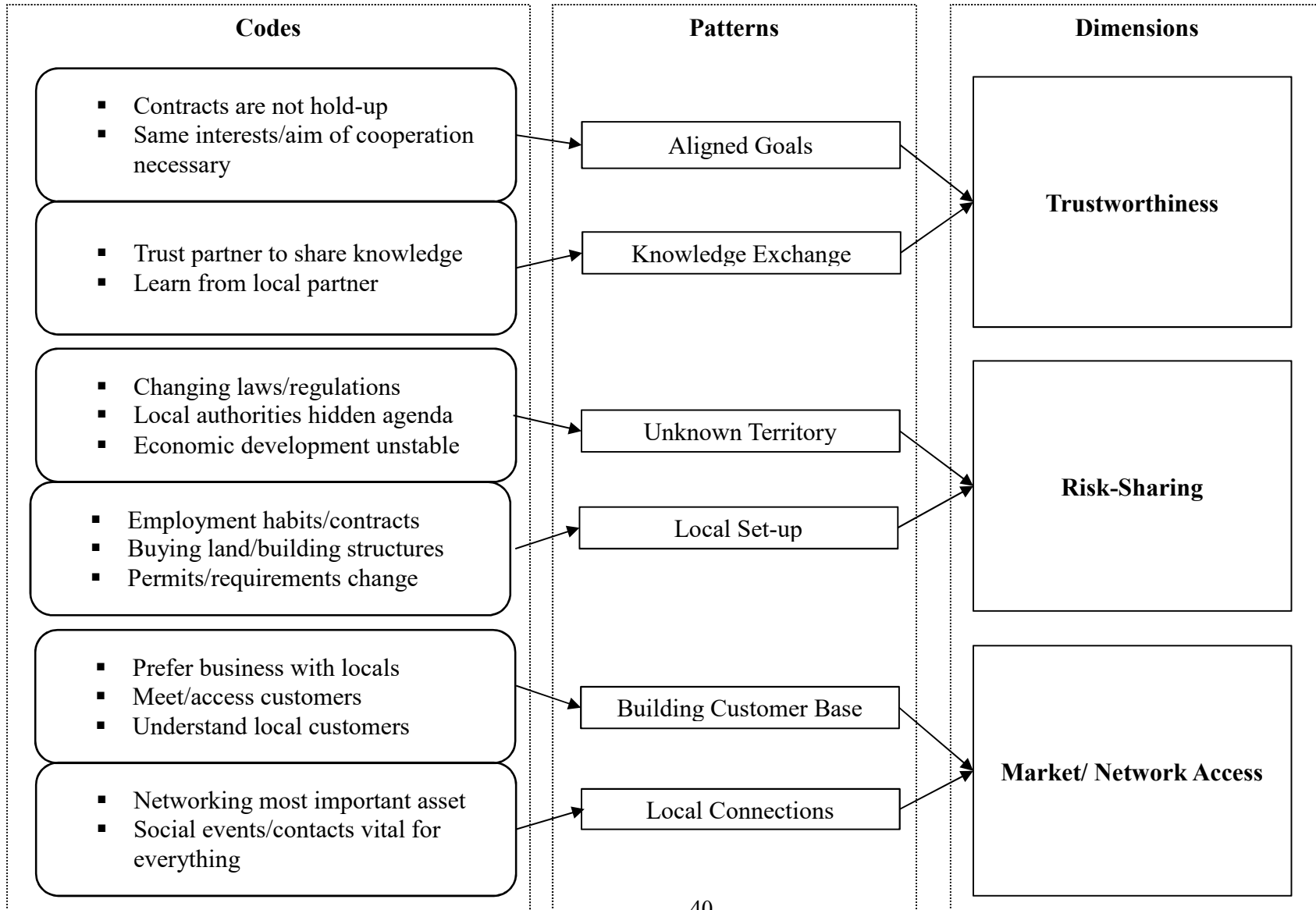


Figure 3. A Conceptual Model for IJV Entry Mode Choice of Family Firms.

